

SUMMARY ANALYSIS OF AMENDED BILL

Author: Maldonado Analyst: William Koch Bill Number: SB 137
See Prior
 Related Bills: Analysis Telephone: 845-4372 Amended Date: April 27, 2009
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Interest On Refund Warrants Postponed By Controller

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

☒ March 31, 2009, STILL APPLIES.

☒ OTHER – See comments below.

SUMMARY

This bill would modify the period during which the Franchise Tax Board (FTB) is required to pay interest on an individual's overpayment refund that is postponed by the State Controller, as specified.

SUMMARY OF AMENDMENTS

The April 27, 2009, amendments deleted provisions that would have required FTB to pay interest on personal income tax (PIT) overpayments refunded or credited more than 60 days after the date a tax return is filed under specified circumstances. The April 27, 2009, amendments also inserted language that would modify the period during which FTB is required to pay interest on an individual's overpayment refund that is postponed by the State Controller, as specified.

As a result of the April 27, 2009, amendments, the "Effective/Operative Date," "This Bill," "Implementation Considerations," and "Revenue Impact" discussions, as provided in the department's analysis of the bill as amended March 31, 2009, have been revised.

The remainder of the department's analysis of the bill as amended March 31, 2009, still applies.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA ☒ PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

05/21/09

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2010, and specifically operative for refunds postponed by the State Controller after February 1, 2009.

THIS BILL

This bill would require FTB to pay interest, at the same rate as under current law, on refunds of overpayments to individuals that are postponed by the State Controller as a result of a determination by the State Controller that a cash management emergency exists for the following period:

- Beginning 15 days after the date a return is filed, or 15 days after the date the State Controller postpones the issuance of refunds, whichever is later, and
- Ending on a date not more than 30 days preceding the date the refund is issued as determined by FTB.

This bill would apply to refunds postponed by the State Controller after February 1, 2009, and would declare that the interest allowed to taxpayers with respect to refunds postponed after that date serves a public purpose and does not constitute a gift of public funds.

IMPLEMENTATION CONSIDERATIONS

Because no payments of refunds held on or after February 1, 2009, were delayed long enough to trigger interest due under this bill, the computer system programming changes needed to implement this bill, in the event of future refund postponements, would occur during the department's normal annual update.

Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following annual revenue impact beginning in fiscal year 2008/09.

Estimated Revenue Impact of SB 137 as Amended on April 27, 2009, Enactment Assumed After June 30, 2009		
2008/09	2009/10	2010/11
No Impact	*	*

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The revenue impact of this bill depends on the dollar amount of refunds postponed due to a cash management crisis, the number of days the refunds were postponed, and the rate of interest that would be paid. For fiscal year 2008/09, although the State Controller postponed the issuance of refunds due to the state's cash management crises, the postponement ended before any interest would have accrued on the postponed refunds that would qualify under this bill.

FTB is unable to provide a revenue estimate for fiscal years outside of 2008/09. It is unknown if there will be future occurrences of the State Controller postponing the issuance of refunds and the duration of such postponements.

LEGISLATIVE STAFF CONTACT

Legislative Analyst
William Koch
(916) 845-4372
william.koch@ftb.ca.gov

Revenue Director
Jay Chamberlain
(916) 845-3375
jay.chamberlain@ftb.ca.gov

Asst. Legislative Director
Patrice Gau-Johnson
(916) 845-5521
patrice.gau-johnson@ftb.ca.gov